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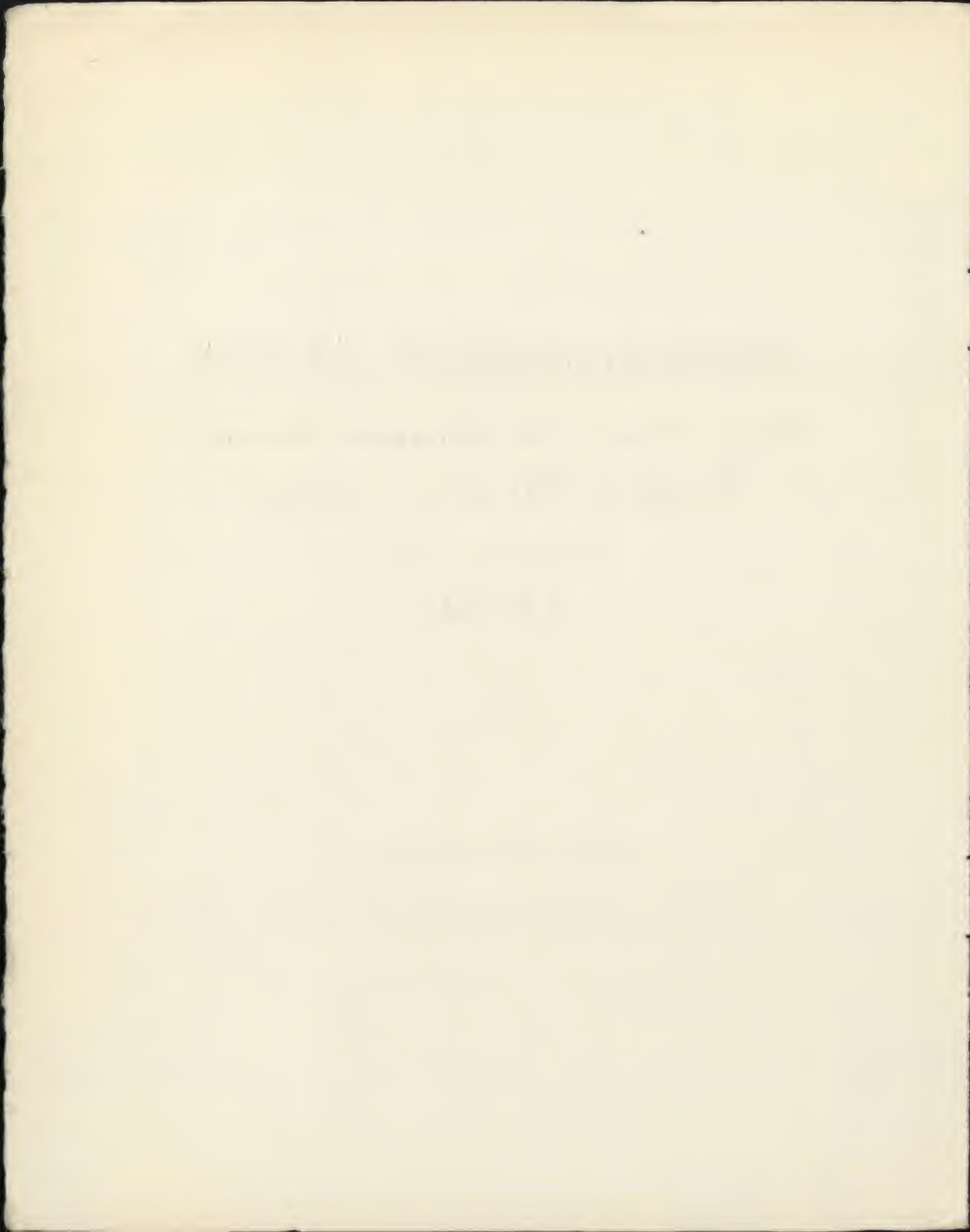
**MONTGOMERY WARD**  
**Sixty-Seventh Annual Report**  
**Twelve Months Ended**  
**January 31**  
**1939**

BOARDS

658.27

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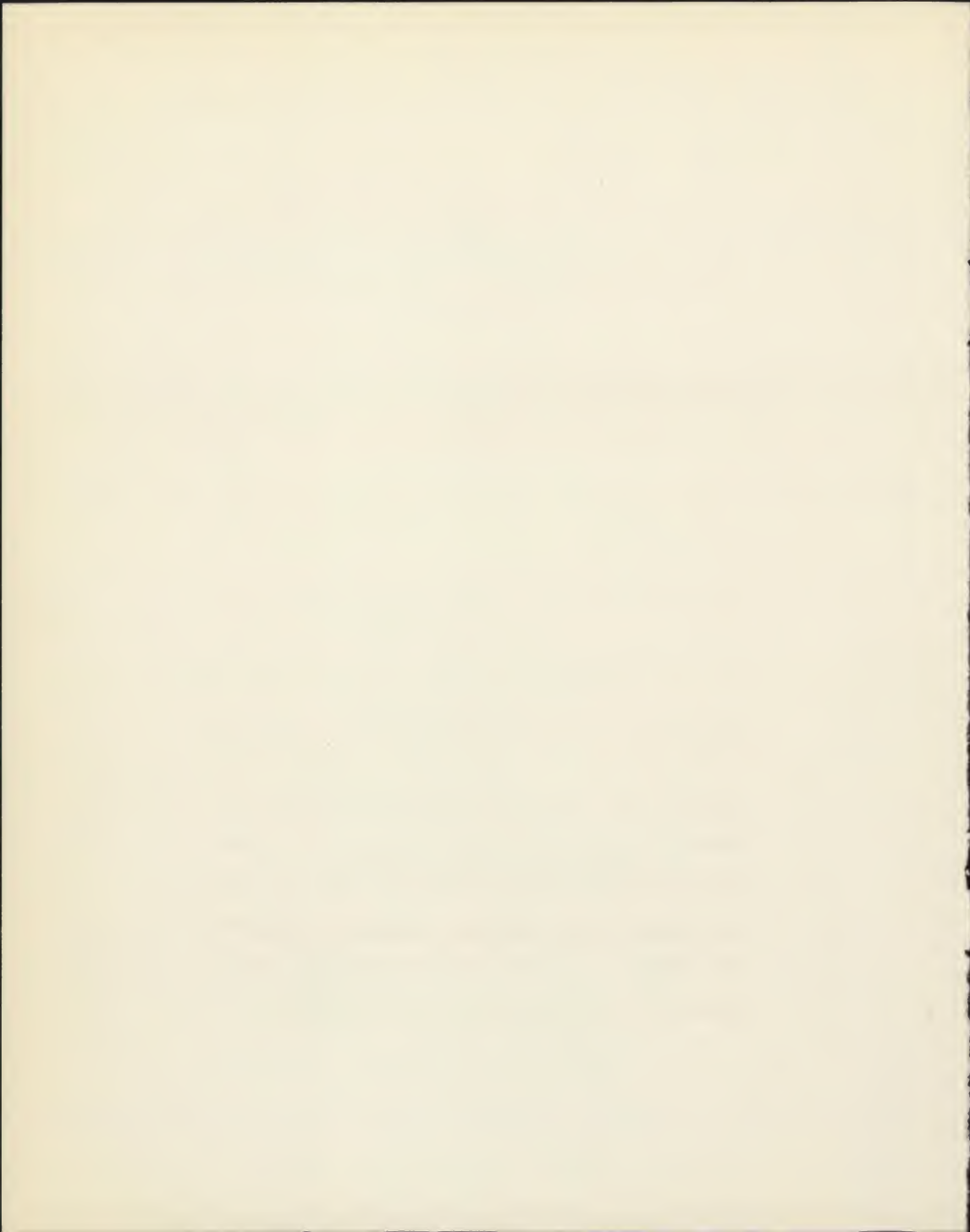
MONTGOMERY WARD & CO.

INCORPORATED

(AN ILLINOIS CORPORATION)

*Sixty-Seventh Annual Report*

*Twelve Months Ended January 31, 1939*



Chicago, March 20, 1939

*To the Stockholders of  
Montgomery Ward & Co.:*

Net profit for the year ending January 31, 1939 was \$19,644,956, or the equivalent of \$3.50 per share of common stock, as compared with a profit of \$19,210,029 or \$3.41 per share for the previous year. The improvement in earnings was made possible largely by a revision in the Federal tax laws, which substantially reduced the surtax on undistributed profits. The company was thus permitted to strengthen its financial position during the year at a tax cost of \$270,000 whereas the penalty imposed for following a conservative dividend policy during the previous year was \$1,650,000.

Cash dividends paid during the year amounted to \$9,236,598, of which the Class "A" stockholders received \$1,410,878 and the common stockholders received \$7,825,720. The increase of \$11,024,000 in net working capital reflects the larger amounts due the company from its customers and heavier inventories, including the improved and broader lines of merchandise which are required by the growth of the company. Additions to fixed assets during the year totaled \$4,266,000, the principal expenditures representing improvements to store properties and new fixtures and equipment.

Net sales were \$413,961,000 as compared with sales of \$414,091,000 for the preceding year. The slight decline in dollars of sales is attributable to lower selling prices inasmuch as the physical quantities sold were

approximately 5% greater. The favorable trend during the last six months is indicated by the improvement of 6% in sales over the same period of the prior year, compared with a decline of nearly 7% during the first half of the year.

Respectfully submitted,

SEWELL L. AVERY,

*Chairman of the Board*



**Montgomery Ward**  
and SUB  
Consolidated Balance Sheet

## ASSETS

### Current Assets:

Cash (less treasurer's drafts outstanding).....		\$ 24,392,658.32
Receivables—		
Customers' time-payment accounts (average terms eight months, approximately \$3,500,000 maturing after one year) .....	\$ 65,141,841.03	
Customers' charge and other accounts...	2,737,871.96	
Due from suppliers, claims receivable, etc.	2,338,348.45	
	<u>\$ 70,218,061.44</u>	
Less — Reserves for doubtful accounts, collection expense, etc.....	7,624,870.58	62,593,190.86
Merchandise inventories; quantities and condition determined by the Company; priced at the lower of cost or market ....		<u>81,494,245.14</u>
Total current assets.....		<u>\$ 168,480,094.32</u>

### Investments in Mortgages, Real Estate, etc.

First mortgage notes and land contracts on homes sold (due in installments) .....	\$ 2,758,875.94	
Homes held for resale, at cost	4,824,255.08	
	<u>\$ 7,583,131.02</u>	
Less — Reserves for losses...	1,870,680.07	\$ 5,712,450.95
Investments at cost, less reserves (including \$242,989 U. S. Government securities deposited under self-insurance agreements).....	<u>299,999.56</u>	6,012,450.51

### Prepaid Spring Catalog Costs, Paper Stock, Supplies, Insurance, etc. ....

6,655,355.50

### Fixed Assets (at cost, less depreciation reserves):

Land.....	\$ 6,208,217.88	
Buildings.....	\$ 33,423,781.68	
Fixtures and equipment....	26,940,332.54	
	<u>\$ 60,364,114.22</u>	
Less—Reserves for depreciation	25,347,045.38	35,017,068.84
Leasehold improvements (less amortization).....	<u>5,457,803.10</u>	46,683,089.82
		<u><u>\$ 227,830,990.15</u></u>



# & Co., Incorporated

SIDIARY

heet—January 31, 1939

## LIABILITIES

### Current Liabilities:

Accounts payable.....	\$ 14,664,640.55	
Due customers.....	<u>2,710,183.75</u>	\$ 17,374,824.30
Accrued expenses and taxes—		
Salaries, wages, extra compensation, other operating expenses, etc.....	\$ 6,939,530.17	
Personal property, real estate, state income, and sundry taxes.....	2,589,559.69	
Federal income tax (subject to final determina- tion by Treasury Department).....	<u>4,997,283.69</u>	14,526,373.55
Total current liabilities.....		\$ 31,901,197.85

Reserve for Self-insurance.....	1,095,730.48
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### Capital Stock and Surplus:

Capital stock—

Authorized—

Class “A”—205,000 shares of no  
par value, \$7 per share cumulative  
dividends, non-callable and entitled  
in liquidation to \$100 per share

Common—6,000,000 shares of no par  
value

Issued (stated value)—

Class “A”— 205,000 shares }	..... \$ 149,288,340.08
Common — 5,217,147 shares }	

Earned surplus (see accompanying summary) . . .	45,798,398.24
	<u>\$ 195,086,738.32</u>

Less—Treasury stock—

Class “A”—3,446 shares.....	<u>252,676.50</u>	194,834,061.82
		<u>\$ 227,830,990.15</u>

# Montgomery Ward & Co., Incorporated

COMPARATIVE CONSOLIDATED INCOME ACCOUNT  
FOR THE YEARS ENDED JANUARY 31, 1939 AND 1938

	<i>Year Ended January 31</i>	
	<i>1939</i>	<i>1938</i>
Net sales.....	\$ 413,961,241.00	\$ 414,090,544.00
Deduct—		
Cost of goods sold, selling and general expenses, and all taxes other than income taxes.....	\$ 386,539,137.18	\$ 385,737,299.82
Depreciation of fixed properties.....	3,269,914.36	3,307,836.81
Amortization of leasehold improvements...	315,058.99	258,518.55
	<u>\$ 390,124,110.53</u>	<u>\$ 389,303,655.18</u>
Net operating profit.....	\$ 23,837,130.47	\$ 24,786,888.82
Other income—		
Interest earned on mortgages and land contracts and rentals on homes held for resale, less direct expense applicable thereto.....	\$ 200,245.25	\$ 312,123.05
Interest earned on securities, profit on securities sold, etc.....	7,580.59	11,016.86
	<u>\$ 207,825.84</u>	<u>\$ 323,139.91</u>
Net profit before Federal and state income taxes.....	\$ 24,044,956.31	\$ 25,110,028.73
Provision for Federal and state income taxes.....	4,400,000.00	5,900,000.00
Net profit.....	<u>\$ 19,644,956.31</u>	<u>\$ 19,210,028.73</u>

## RECORD OF ANNUAL NET SALES

1938-9.....	\$ 413,961,241	1933-4.....	\$ 187,632,543
1937-8.....	414,090,544	1932-3 (13 months)...	176,488,690
1936-7.....	361,297,059	1931.....	200,400,193
1935-6.....	293,042,357	1930.....	249,097,223
1934-5.....	249,805,721	1929.....	267,325,503

# Montgomery Ward & Co., Incorporated

## CONSOLIDATED EARNED SURPLUS ACCOUNT FOR THE YEAR ENDED JANUARY 31, 1939

Balance January 31, 1938.....		\$ 35,390,040.43
Net profit for the year ended January 31, 1939.....		<u>19,644,956.31</u>
Total.....		\$ 55,034,996.74
Deduct—		
Dividends on Class "A" stock—\$7.00 per share.....	\$ 1,410,878.00	
Dividends on common stock—\$1.50 per share..	<u>7,825,720.50</u>	<u>9,236,598.50</u>
Balance January 31, 1939.....		<u><u>\$ 45,798,398.24</u></u>

*To the Board of Directors,*

*Montgomery Ward & Co., Incorporated:*

We have made an examination of the consolidated balance sheet of MONTGOMERY WARD & CO., INCORPORATED, AND SUBSIDIARY as at January 31, 1939, and of the statements of consolidated income and surplus for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions. We made a similar examination for the preceding year.

In our opinion, based upon such examinations, the accompanying consolidated balance sheet and related statements of income and earned surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the years under review, the financial position of the companies at January 31, 1939, and the results of their operations for the two years ended that date.

Chicago, Illinois, March 10, 1939.

ARTHUR ANDERSEN & Co.



# Montgomery Ward & Co., Incorporated

COMPARISON OF CONSOLIDATED BALANCE SHEETS  
AS AT JANUARY 31, 1939 AND 1938

	<i>January 31</i>	
	<i>1939</i>	<i>1938</i>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash.....	\$ 24,392,658.32	\$ 18,515,250.97
Receivables, less reserves.....	62,593,190.86	57,353,768.79
Merchandise inventories.....	81,494,245.14	77,361,847.55
Total current assets.....	\$ 168,480,094.32	\$ 153,230,867.31
<b>Investments in Mortgages, Real Estate, etc. ....</b>	6,012,450.51	6,648,496.54
<b>Prepaid Catalog Costs and Expenses....</b>	6,655,355.50	6,412,777.25
<b>Fixed Assets, less Depreciation Reserves....</b>	46,683,089.82	46,896,602.03
	<u>\$ 227,830,990.15</u>	<u>\$ 213,188,743.13</u>

## LIABILITIES

<b>Current Liabilities .....</b>	\$ 31,901,197.85	\$ 27,675,902.29
<b>Reserve for Self-insurance.....</b>	1,095,730.48	1,087,136.83
<b>Capital Stock and Surplus:</b>		
Capital stock issued (stated value).....	149,288,340.08	149,288,340.08
Less—Treasury stock.....	252,676.50	252,676.50
Earned surplus.....	45,798,398.24	35,390,040.43
	<u>\$ 227,830,990.15</u>	<u>\$ 213,188,743.13</u>

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<b>Net Working Capital.....</b>	<u>\$ 136,578,896.47</u>	<u>\$ 125,554,965.02</u>
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# Montgomery Ward & Co., Incorporated

## DIRECTORS

SEWELL L. AVERY, *Chairman*

DAVID A. CRAWFORD

CHARLES F. GLORE

HARRY P. DAVISON

D. R. McLENNAN

PERCY B. ECKHART

SILAS H. STRAWN

RAYMOND H. FOGLER

JAMES W. THORNE

FRANK M. FOLSOM

GEORGE W. VAUGHT

## OFFICERS

SEWELL L. AVERY.....*Chairman, Board of Directors*

SILAS H. STRAWN.....*Chairman, Executive Committee*

RAYMOND H. FOGLER.....*President*

FRANK M. FOLSOM.....*Vice-President*

CHARLES W. HARRIS.....*Vice-President*

HOWARD W. JORDAN.....*Vice-President*

GEORGE W. VAUGHT.....*Treasurer*

HAROLD L. PEARSON.....*Comptroller*

JOHN A. DONALDSON.....*Assistant Treasurer*

ALBERT T. HUIZINGA.....*Assistant Treasurer*

ROBERT S. SMITH.....*Assistant Treasurer*

STUART S. BALL.....*Secretary*

CHARLES B. FULLERTON.....*Assistant Secretary*

## *Transfer Agents*

MONTGOMERY WARD & CO., INCORPORATED, CHICAGO, ILL.

MONTGOMERY WARD & CO., INCORPORATED, NEW YORK, N. Y.

## *Registrars*

THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.

BANKERS TRUST COMPANY, NEW YORK, N. Y.

